

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 NEA-10 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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TO SECSTATE WASHDC 2813

INFO AMEMBASSY COPENHAGEN

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USMISSION NATO

C O N F I D E N T I A L OSLO 5977

E.O. 11652: GDS

TAGS: ENRG, NO, PINT

SUBJ: GOVERNMENT CRISIS OVER COST OF OIL DEVELOPMENT NARROWLY
AVERTED

REF: OSLO 4807

BEGIN SUMMARY: THE CONTROVERSY OVER THE COST OF DEVELOPING
THE NORWEGIAN STATFJORD OIL FIELD IN THE NORTH SEA NEARLY
CAUSED A GOVERNMENT CRISIS LAST WEEK, WHEN OPPOSITION PARTIES
IN THE PARLIAMENT BANDED TOGETHER IN CRITICISM OF GOVERNMENT
HANDLING OF THE MATTER IN THE PARLIAMENT LAST JUNE. AT THE
ELEVENTH HOUR THE LEFTIST PARTY SV TEMPERED ITS VIEW AND JOINED
THE GOVERNMENT AND THE CRISIS SEEMS TO HAVE BEEN AVOIDED.
MOBILE, THE DEVELOPMENT OPERATORS OF STATFJORD, APPEARS TO HAVE
BEEN SPARED ANY BLAME. THE DISPUTE ILLUSTRATES AGAIN THAT OIL
POLICY PROMISES TO BE AN IMPORTANT ISSUE IN NEXT SEPTEMBER'S
NATIONAL ELECTION WHERE DOMESTIC PRESSURES ARE STRONG FOR LABOR'S
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GO-SLOW POLICY TO GO EVEN SLOWER. END SUMMARY.

1. CONTROVERSY OVER THE COST OF DEVELOPMENT OF THE STATFJORD OIL FIELD (SEE OSLO 4807) BOBBED UP AGAIN LAST WEEK IN CONNECTION WITH PARLIAMENTARY CONSIDERATION OF ANNUAL REPORT ON STATOIL (NORWAY'S STATE OIL COMPANY). REPORT INCLUDES PLANS FOR DEVELOPMENT OF STATFJORD FIELD OWNED 50 PERCENT BY STATOIL. CONTROVERSY AGAIN REVOLVED AROUND FAILURE OF GOVERNMENT TO INFORM PARLIAMENT BEFORE IT APPROVED ON JUNE 16 PLANS FOR PHASE II OF STATFJORD FIELD DEVELOPMENT ABOUT RECEIPT OF LETTER OF JUNE 3 FROM MOBILE. LETTER CONTAINED COST ESTIMATE FOR DEVELOPMENT OF FIELD THROUGH PHASE II NEARLY \$1 BILLION OR 25 PERCENT HIGHER THAN THOSE IN REPORT TO PARLIAMENT WHICH FORMED BASIS OF ITS APPROVAL OF PHASE II PLANS.

2. ISSUE CAME TO A HEAD IN PREPARATION OF REPORT OF INDUSTRY COMMITTEE OF PARLIAMENT IN WHICH ALL NON-SOCIALIST PARTIES ON RIGHT AND SV ON LEFT INSISTED ON INCLUSION OF STRONG CRITICISM OF GOVERNMENT AND INDUSTRY MINISTER GJERDE FOR THEIR HANDLING OF SO-CALLED "LETTER CASE." MINORITY LABOR GOVERNMENT REFUSED TO ACCEPT CRITICISM AS WORDED, POINTING OUT THAT GJERDE HAD ALREADY APOLOGIZED FOR HIS HANDLING OF "LETTER CASE." THIS LED TO ELEVENTH HOUR EFFORTS TO NEGOTIATE COMPROMISE PARTY STATEMENTS IN REPORT. NON-SOCIALISTS WITH EYE ON GENERAL ELECTIONS IN 1977 REFUSED TO SOFTEN WORDING OF THEIR CRITICISM; THAT THEIR LANGUAGE WAS LEASED TO PRESS MADE COMPROMISE MORE DIFFICULT FOR THEM. HOWEVER, LEFTIST SV FINALLY AGREED TO WORDING WHICH WAS ACCEPTABLE TO LABOR PARTY AND A GOVERNMENT CRISIS WAS AVOIDED. COMMITTEE REPORT WILL NOW BE DEBATED ON FLOOR OF PARLIAMENT ON NOV 23 WITH NON-SOCIALIST USING OCCASION ONCE AGAIN TO CASTIGATE LABOR GOVERNMENT, ITS OIL POLICY, AND STATOIL.

3. MOBILE, WHICH IS THE OPERATOR FOR DEVELOPMENT OF STATFJORD, HAS APPARENTLY AVOIDED ANY BLAME IN CASE.

4. COMMENT:ALTHOUGH THE NON-SOCIALIST PARTIES HAVE WIDELY DIVERGENT OIL POLICIES, THEY ALL OPPOSE ELEMENTS OF THE LABOR PARTY'S OIL POLICY. AND THEY WISH TO PROVIDE AN ALTERNATIVE TO ANOTHER LABOR GOVERNMENT IN 1977. WHILE THE SV ALSO OPPOSES PARTS OF THE GOVERNMENT'S OIL POLICY, IT PUT THE LABOR PARTY IN ITS DEBT BY YEILDING AND WILL NO DOUBT TRY TO COLLECT THE DEBT
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ON OTHER ISSUES. WHILE NON-SOCIALISTS DID PUSH ISSUE TO THE WIRE, IT IS CLEAR NO PARTY WISHES A GOVERNMENT CRISIS AND A SHORT-LIVED NON-SOCIALIST GOVERNMENT. THE SV HAD PERHAPS MORE TO LOSE THAN THE NON-SOCIALISTS AND PROBABLY REMEMBERED THE ALCAN CASE OF 1974 WHEN THE LEFTISTS PARTY LOST CONSIDERABLE WORKER SUPPORT BECAUSE IT VOTED WITH NON-SOCIALISTS TO TOPPLE THE GOVERNMENT OVER GOVERNMENT PURCHASE OF COMPANY SHARES. A LAST-MINUTE CENTER PARTY SWITCH SAVED THE GOVERNMENT THEN.

5. OIL DEVELOPMENT IS EXPECTED TO BE A MAJOR ELEMENT IN THE 1977 ELECTION CAMPAIGN, AND IT THE "LETTER CASE" THE NON-SOCIALISTS HAVE A MAJOR STICK WITH WHICH TO BEAT LAVOR PARTY WHICH HAS SCORED NOTABLE GAINS RECENTLY AND WHICH LATEST GALLUP POLL SHOWED WOULD WIN A SLIM MAJORITY IN PARLIAMENT IN 1977.

6. GOVERNMENT PLANS TO SEEK PARLIAMENT'S APPROVAL TO OFFER 20 NEW BLOCKS SOUTH OF 62 DEGREES FOR EXPLORATION AND DEVELOPMENT MAY SUFFER FROM THE FALL OUT FROM THE DEBATE AS MAY ITS CONTROVERSIAL PROPOSAL TO BEGIN EXPLORATION NORTH OF 62DEGREES IN 1978. BOTH PROPOSALS ARE EXPECTED TO BE DEBATED IN PARLIAMENT THIS WINTER. FAILURE TO SECURE APPROVAL OF THESE PLANS WILL MAKE NORWAY'S GO SLOW OIL DEVELOPMENT POLICY EVEN SLOWER. THE LABOR PARTY WOULD HAVE TO WAIT UNTIL AFTER THE ELECTIONS IN 1977 TO RE-SUBMIT BOTH PROPOSALS. IF A NON-SOCIALIST COALITION GOVERNMENT FORMED WITH SUPPORT OF THE CENTER PARTY, WHICH FAVORS A REDUCED RATE OF DEVELOPMENT, IS ELECTED IN THE SEPT 1977 ELECTION, ANY ACCELERATION OF THE PACE OF DEVELOPMENT ACCEPTED PRIOR TO THE ELECTIONS WILL BE DIFFICULT.
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